

## A question of governance

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To bring about change in a democracy such as Australia's we like to believe that progress is achievable through political processes. We believe that the acts of joining community groups, joining political parties – or forming them – protesting in the media, in the streets, and of course voting are sufficient to bring about beneficial social change.

We may also believe that, even though the public service is depleted, as I argued in my speech at the launch for TfM, it has the power to bring about beneficial change, if only it would remember how to plan.

The daily political turmoil that the press and social media report at high volume and great length is, I argue, a distraction from the underlying problem of democratic governance which is powerful because invisible, like the corona virus. It also inhabits bodies and minds.

From my most recent research reported in my book *Being a Planner in Society*, the on-line *Appendix* to the book, and my blogs on Edward Elgar's website I now believe that the problem with the model of governance in Australia, and probably in many other 'liberal' countries, goes much deeper. In fact it appears that governance under the malign influence of neoliberalism has destroyed *all possibility* of planning and, with it, *all possibility* of democratic change by the normal means.

I am not advocating violent revolution. But unless the governance model changes, benign social change is out of reach. The governance model can still evolve. But first it must be recognised and fully understood.

In what follows I'm going to be 'throwing the baby out with the bathwater'. Yes, in every ideology there are some worthwhile ideas along with the bad ones. But in a short address there is no room for babies. Someone will no doubt quite properly point them out. My concern here is the filthy poo-sodden bathwater. If you want a more nuanced critique please read my book

### The governance model

The model is rooted in the ideology of utilitarianism, modified by neoliberalism and further transformed by the resilience of parliamentary democracy into what I call 'crony capitalism' – or to give it its more polite name 'clientelism'.

#### *Utilitarianism*

This is the philosophy made famous by Jeremy Bentham who said that the idea of natural human rights was 'nonsense on stilts'. All that counted was the existence of pain and pleasure (or happiness). Public policy should aim to produce the 'greatest happiness of the greatest number', the utilitarian principle. Law based on the utilitarian principle was the only rational basis of rights. Law was to enshrine the rational principle of market exchange.

How do you measure 'pleasure'? Well, you don't bother. You just assume that there is a simple linear relationship between the amount of pleasure a person has and the amount of goods and services that person consumes. So if there is still pain suffered by some in society, it is offset by the greater pleasure experienced by others. It doesn't matter that the many suffer 'pain', because the few experience immense amounts of 'pleasure'. Conversely if a few suffer death it is offset by the

economic pleasure of the many. This pernicious idea is false. If utilitarianism assumptions were correct James Packer on his giga-yacht would be among the happiest people alive.

You may have noticed a philosophical debate going on in the opinion pages of *The Age*. This is between utilitarians like Peter Singer and Duncan Maskell and human rights supporters contributing to the letters page. The ostensible debate is about whether old people should be sacrificed for the greater good represented by young lives and 'business'.

### *Neoliberalism*

Neoliberalism, or economic rationalism as it is sometimes called (it is no more and no less rational than any other ideology) began with two aristocratic Austrian philosophers, Ludwig von Mises and Friedrich von Hayek. Hayek founded the Mont Pelerin Society to discuss and disseminate his gospel. Basically the gospel says that only free market exchange would deliver societies from the slavery of socialism. Free markets had to be protected by a regime of elite 'elders'.

Law, Hayek said, should precede and override legislation. 'Law', governing the behaviour of the market economy, would be determined by a legislative assembly consisting of wise elders (over 45 years old) serving electoral terms of fifteen years. Their election would not be subject to universal suffrage, and anyone receiving any benefits from the state (pensions, unemployment benefits, government salaries) would be automatically excluded from voting. Hayek's plan was to set up a governing authority beyond political control to prevent elected politicians interfering with the market. Hayek's position was reinforced by other disciples such as Milton and Rose Friedman ('the Chicago School') and the 'public choice theorists'<sup>1</sup>.

Hayek, presciently, advocated a network of what he called 'second-hand dealers in ideas' to promote his gospel. We would call them neoliberal think tanks with a mission to return societies from post-war egalitarianism to the proper order of things, namely economic domination by the wealthy, or as they themselves call it, 'meritocracy'. I prefer the term plutonomy<sup>2</sup>. Helped by corporate donations, these 'second-hand dealers' have been so overwhelmingly successful in transforming the governance model that few today really notice that governance has been transformed.

Occasionally, when governments look like asserting themselves, the libertarian think tanks finance campaigns to sow doubt in the public mind. Thus, we have seen international campaigns against government action on tobacco smoking, on climate change, and most recently on Covid19 (e.g. 'The Great Barrington Declaration'). Because scientific knowledge is, and should always be, debatable, the campaigns enrol a few scientists who dispute the current consensus and add on a mass of libertarian supporters to forge a sceptical mass. Naomi Oreskes and Erik Conway described this process in their book, *Merchants of Doubt*.

Further readings providing empirical support for the above are the vast volumes by Thomas Piketty, *Capital in the 21<sup>st</sup> Century* and *Capital and Ideology*.

### *Crony capitalism*

Also unnoticed, in the hands of the second hand dealers the pure neoliberalism of Hayek became transformed into something close to its opposite; crony capitalism. The problem for the neoliberals

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<sup>1</sup> Though not by all the members of the Mont Pelerin Society as I point out in my book.

<sup>2</sup> Plutonomy is a system in which economic oligarchies have accumulated sufficient wealth to free themselves from national constraints, a global economic system, delinked from national economies, serving the very particular demands for goods and services of the ultra-rich.

is that electoral politics refused to go away, for the simple reason that people value universal suffrage that holds governments to account.

The political class therefore continued to hold power even while they paid lip service to neoliberalism. So, the governance system we have today is a hybrid between corporate economic power supported by antidemocratic neoliberal ideology and political power supported by universal suffrage: that is crony capitalism. This result was what Hayek regarded as ‘the worst of both worlds’: deals between political leaders and private corporations. At its worst, as the philosopher John Rawlston Saul pointed out twenty years ago<sup>3</sup>, crony capitalism leads to fascism (he cites Mussolini) – via populism (Trump and Johnson) as we see in the USA and Britain today.

The neoliberal ‘hollowing out of the state’ has been supported by a theoretical spawn of neoliberalism called ‘New Public Management’. The ideology of NPM can be interpreted in different ways. It provided a salutary critique of sclerotic bureaucracies that had become distanced from the publics they served, hence ‘customer service’ became a byword for NPM but that admirable goal covered something more sinister. The scope and ambition of NPM is breathtaking;

New Public Management (NPM) is part of the managerial revolution that has gone around the world, affecting all countries, though to considerably different degrees. ... The theoretical background of NPM is to be found in the strong criticism of a large public sector, to be found in the public choice school as well as Chicago School Economics, both attacking since the mid-1960s prevailing notions about public sector governance (Lane, 2000: 3)<sup>4</sup>.

The essentials of NPM are these: the use of quasi-market structures for delivery of services, contracting out of government functions to private firms, setting performance targets, continual monitoring of performance, and installing management experts in senior executive positions. Professionals relevant to the government function of departments (e.g. transport planning, public health, environmental conservation, city planning, building regulation) were replaced in senior positions by generalists trained in ‘management’. These managers were often recruited from private sector firms or consultancies. What this management training in fact amounts to is in-depth indoctrination in neoliberal ideology.

### The unintended consequences

It is easy enough to overlook the structural failure which gives rise to events because we look for culprits in politics and business management.

- The corruption of urban and regional planning in which deals are done between developers and governments to enrich the latter at the stroke of a pen.
- The absence of a transport and land use plan forming a context for investment in hugely costly infrastructure projects.
- Failures of building regulation, outsourced to private firms, resulting in hundreds of tower blocks being covered in flammable cladding.
- The scarcely regulated private recycling industry resulting in flammable material stored in huge warehouses, catching fire and belching toxic smoke over residential areas.
- The absence of a viable national plan to reduce carbon emissions to safe levels while ensuring affordable and reliable electricity supply. Climate change is always tomorrow, never today!

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<sup>3</sup> Saul, J. R. (2002) *On Equilibrium*, Penguin Books Australia, p. 36.

<sup>4</sup> Lane, J-E. (2000) *New Public Management*, London and New York: Routledge.

Today, in front of our mask-clad noses is Covid19. The Victorian second wave has claimed 800 lives, and counting. Aged care failure nationally has claimed more than 600 lives. As I write (October 2020) there is a manhunt underway led by the eminent jurist Jennifer Coate to determine who is to blame. Even before finalising its report, the manhunt has claimed two scalps: the Minister of Health, Jenny Mikakos, and the Secretary of the Department of Premier and Cabinet, Chris Eccles. But the most telling result of multiple interrogations has been that nobody knows who is to blame. That's because no body is to blame.

Andrews is not to blame. Mikakos and Eccles are scapegoats. Brett Sutton may be next. The **governance system** is to blame, but you cannot punish a system. This is the real conclusion of many judicial inquiries into governance failures over recent years: e.g. into banks, the superannuation industry, aged care, disability.

### *The example of Victoria's second wave*

It has been established by genomic tracing that all of the Victorian second wave of infection originated from two quarantine hotels, spread by hotel security guards who were insufficiently protected from the virus.

There has been no lack of planning for pandemic infection. In recent years planning began with the report by Dr Rosemary Lester published in 2014<sup>5</sup>. Lester is a highly qualified public health and epidemiology expert. Her report was delivered to the emergency management authority (Emergency Management Victoria)<sup>6</sup>. The epidemiological expertise shines through the report. The report was shelved.

Under the name of the Minister for Health, a second planning report was published in March this year (2020) authored by managers of the Victorian Department of Health and Human Services (DHHS). The authors plainly did not have a public health or epidemiological background. It is a managerial document focusing mainly on the (then) three stages of governmental response. It draws heavily on the similarly managerial report from the federal Department of Health.

In June an 'operation' was devised by DHHS named 'Soteria' (after the Greek goddess of rescue) designed to manage quarantine of returned overseas travellers. This operation is quite mysterious<sup>7</sup>. The DHHS has nothing on its website about the operation, who devised it or what its aims were. At the public inquiry headed by Justice Coate a sheet of instructions to 'hotel security staff' emerged: 'OPERATION SOTERIA, PPE Advice to Hotel Security Staff and AO's (sic) in Contact with Quarantined Individuals'. It advised that personal protective equipment was not required to be worn by security staff at any point of contact. The latter include the hotel lobby, the quarantine floor, and at doorways to clients' hotel rooms. Only hand hygiene and surgical masks were 'recommended'. Hotel quarantine clients (guests) were recommended to wear surgical masks 'if tolerated'.

It is obvious that this operation did not benefit from epidemiological advice. In evidence to the Coate Inquiry, Professor Lindsay Grayson (Director of the Austin Hospital's infectious disease department)

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<sup>5</sup> <file:///C:/Users/npl/Downloads/VHMPP1%20Final%20version%20-%20PDF.pdf> (downloaded 20/08/2020)

<sup>6</sup> An organisation mostly designed for bushfire management.

<sup>7</sup> Transcript of proceedings of the Inquiry into the Covid-19 Hotel Quarantine Program, Day 3 p. 23 (17/08/2020). 'Various iterations of Operation Soteria had many different moving parts involving different agencies with separate roles. An issue will be whether it was too fragmented to work efficiently, especially given the need for quick coordinated action that is proposed in the emergency environment.'

[https://www.quarantineinquiry.vic.gov.au/sites/default/files/2020-08/Transcript%20of%2017%20August%202020\\_0.pdf](https://www.quarantineinquiry.vic.gov.au/sites/default/files/2020-08/Transcript%20of%2017%20August%202020_0.pdf) (accessed 21/08/2020)

said that, as well as training on the proper use of masks, security guards at any point of contact with hotel guests should have been dressed in full personal protective equipment (PPE) to the same standard as health workers.<sup>8</sup> It is also common sense. Epidemiological advice should not even have been needed. Everyone who reads a daily newspaper or receives a digital news feed would already have known how infectious this disease was.

The report by Rosemary Lester states:

‘The use of appropriate PPE is recommended in all healthcare settings, including primary care and health services. ... Where the use of appropriate PPE is recommended the equipment must be suitable and maintained. Appropriate training must be provided to the individual using PPE at a time prior to the pandemic to ensure they become competent and proficient in its use’ (p.48).

The planners of Operation Soteria did not see that the situation of hotel quarantine was<sup>9</sup> a ‘health care setting’. Instead they talked about ‘security’. They followed the normal, easy solution of contracting out peripheral health work to private companies, without first ensuring that the workers were properly trained in the use of protective equipment and suitably supplied. The Health Department leader of the Covid 19 response allegedly decided to spread responsibility for the operation among government bureaucrats including police and emergency services. None of them were health professionals.

Lester’s report states, ‘The Chief Health Officer or delegate would assume the role of State Controller and liaise closely with the Emergency Management Commission’. He did not assume that role. It is easy to see that the linguistic slippage from ‘health care’ to ‘security’ masked what was most necessary in the looking after the needs of those quarantined in hotels.

The private companies sub-contracted the work to labour supply companies employing casual workers. Many of these workers in the so-called ‘gig economy’ had several different jobs on the go. Unprotected from the virus, they contracted disease from returned travellers (or allegedly from a night manager of one of the hotels), and, before they began showing symptoms, spread the virus to their families and to colleagues in other work settings, who in turn became infected and spread the virus further through the community.

The hotel quarantine planning debacle has had ramifying effects. Failure of quarantine has meant that the federal and State governments have imposed draconian controls on people returning to Australia from overseas, in breach of their human rights. And because governments believe they are unable to operate effective quarantine control for returning travellers, Australians are now banned from leaving the country.

Yes, the particular features of the Sars Cov 2 infection are ‘unprecedented’ as everyone now says. But thinking outside the box, thinking with imagination, does not depend on precedent. That, as Saul states, is an elementary human skill which seems to have been turned off by managerial ideology.

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<sup>8</sup> Transcript of proceedings of the Inquiry into the Covid-19 Hotel Quarantine Program (17/08/2020) pages 48 and 51.

<sup>9</sup> Cunnigham, C., Mills, T. and Dow, A. (2020) ‘Bureaucrats blocked plan for Sutton to lead crisis’, The Age, Melbourne, 11/09/2020, p. 1.

Professor Jan Carter, former head of policy and research at the Brotherhood of St Lawrence, writes in *The Age* (07/10/2020, p. 21)<sup>10</sup>:

In subsequent years, the assumptions of NPM took hold, claiming content-free management in general (and MBA holders in particular) were superior heads of divisions. Now, DHHS seems to the outsider to be an inward-looking oligarchy, devoted to replacing its own with its own and keeping potential executive managers such as Sutton at bay and under control.

She continues, 'It is too early to say whether the tide has turned again, but in the final deliberations of the Coate inquiry, the reasons for the banishment of specialist managers in the DHHS and the twin assumptions that contracting out and content-free management are always the best, need close examination'.

The question of governance goes far beyond the Coate Inquiry and Covid 19. To 'turn the tide' we need an inquiry into the management of, and within, the public service, an inquiry of the scope of the Royal Commission Government Administration conducted by Coombs for the Whitlam Government.

### Tentative conclusions

Utilitarianism can be a useful and progressive philosophy, but it does not supplant human rights or correct social injustice. Some forms of neoliberalism have merit (for example the German variant). Public sector management is a field of study as profound and extensive as that of any other profession<sup>11</sup>. I do not believe that NPM is completely flawed.

But managerial concepts can be employed, and have been employed, for purposes ranging from the humane and compassionate to community suppression and genocide. In Australia NPM is being employed for the purpose of class struggle, for the strong and wealthy against the weak and poor. We have to get used to calling out class struggle where it occurs even though the classes in question are quite different from those of Marx's day (I address the class issue in my book). In the process good governance suffers, across the social services: transport, public health, education, social welfare.

Having said that the problem we have is 'structural', it is also true that governance models or 'structures' are only ever powerful when they become embodied in the minds and activities of persons. Thus, in looking for the effects of NPM, we need to expose the ideology which shapes the advice to politicians. The aim is not to apportion individual blame but to seek out the structural assumptions that individuals embody.

We have to find a way of integrating a variety of professionals in public health, city planning, land use and transport planning, social welfare and housing into the most senior management positions in the public service. That should not mean doing away with sensible public sector management reforms which have been undertaken in the last twenty years. We need a broad review into public sector management to build on reforms that were explored in the 1970s and 1980s under the proposition that public services are not the same as 'commercial enterprises' as the CEO of Australia Post recently claimed. Unfortunately Christine Holgate is right when she says that Australia Post is a

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<sup>10</sup> Professor Carter has undertaken a number of reviews and projects for the DHSS, including for the Cain, Kennett and Bracks governments. She is a professor at Melbourne and Deakin Universities.

<sup>11</sup> As is evident from the scholarly survey of the field by Shafritz et al. (2017), now in its ninth edition. Shafritz, J.M., Russell, E.W., Borick, C.P. and Hyde, A.C. (2017) *Introducing Public Administration*, Routledge: London and New York.

commercial enterprise. Under NPM, that is what it, and so many of our public services, have become.

My purpose in this paper is to shift the debate from the superficial to the underlying nature of governance today. Dispute how we will, but for God's sake let's have the debate.